

**Memorandum
Community and Economic Development**

To: Thomas Thomas, City Manager
Subject: Budget Adjustment for BRP Program
Date: March 01, 2016



An adjustment to the FY2016 budget in the amount of \$161,944 is requested by the Community and Economic Development Department for costs associated with the Blight Reduction Program (BRP).

The City of Rock Island received a \$525,000 award from the Illinois Housing Development Authority (IHDA) through its Blight Reduction Program. The BRP program was created in 2014 by IHDA under the Hardest Hit Program to prevent foreclosures and stabilize neighborhoods. Specifically, BRP funding is being targeted to demolish blighted/vacant residential units for the eventual reuse and redevelopment of those properties.

The program required the City to collaborate with a not-for-profit developer with demonstrated experience in demolition, greening and revitalization. The City determined that Rock Island Economic Growth (GROWTH) would be an effective partner to remediate blight through strategic demolitions in the community.

Prior to the City disbursing funds for this program GROWTH will execute a Note and Recapture Agreement for each BRP property agreeing to reimburse the City for all eligible expended costs for this program within 45 days of receipt of funds from IHDA.

Below are the properties for the first phase of the Blight Reduction Program:

Property Address	Program Costs
602 8th Street	20,197
715 12th Avenue	24,074
720 13th Street	26,670
918-920 6th Avenue*	38,198
1625 12th Street	27,000
1628 8th Street	25,805
Total	161,944

*Note: 918-920 6th Avenue (duplex) counts as two units

207-312801-53801-0000628

RECOMMENDATION: Council approve the budget adjustment increasing the budget for FY2016 by \$161,944.00 and approve the Development Agreement, Note and Recapture Agreement between the City and RI Economic Growth.

Submitted by: Janet Flaherty, Budget and Grants Manager
Jeffery A. Eder, Assistant City Manager / CED Director
Linda Barnes, Interim Finance Manager

Approved by: Thomas Thomas, City Manager

DEVELOPMENT AGREEMENT

THIS AGREEMENT is entered into this _____ day of March, 2016, by and between THE CITY OF ROCK ISLAND, ILLINOIS, a municipal corporation, ("City"), and ROCK ISLAND ECONOMIC GROWTH CORPORATION, an Illinois not-for-profit corporation, ("GROWTH").

WHEREAS, the City has applied for Blight Reduction Program (BRP) funding from the Illinois Housing Development Authority (IHDA) under the Hardest Hit Fund Program (HHF) and received notification that the City was selected for an award in the form of a \$525,000.00 three year forgivable loan to specifically target demolition of blighted/vacant residential units for the eventual reuse and redevelopment of those properties; and

WHEREAS, the program required the City to collaborate with a not-for-profit developer with demonstrated experience in demolition, greening, and revitalization to implement the program; and

WHEREAS, the City determined that a collaborative partnership with GROWTH would be an effective partnership to remediate blight through strategic demolitions in the community; and

WHEREAS, as part of its funding application, specific properties were identified by the City and approved by IHDA as eligible to receive BRP funding (refer to Exhibit A) and the BRP program requires the not-for-profit partner to take ownership (title) of the properties prior to any demolition work being completed; and

WHEREAS, the BRP program also requires the not-for-profit developer to execute HHF loan documents and be the receiver of the BRP funds, provide compliance reports on each property, and to be liable should a recapture event occur during the three year compliance-recapture period; and

WHEREAS, the City was required to approve a resolution accepting funding from IHDA for its Blight Reduction Program and Resolution No. 10-2015 was passed by City Council on April 20, 2015, and IHDA requested modifications to Resolution No. 10-2015 and a revised Resolution No. 15-2015 was passed and approved by Council on June 1, 2015; and

WHEREAS, pursuant to the above-referenced Resolutions, the City agreed to work with GROWTH to obtain funds allocated through the BRP program and to make a separate loan to GROWTH pending the refinancing with IHDA for each specific blighted/vacant residential unit to cover eligible costs for the acquisition, demolition, greening and maintenance of said units for the eventual reuse and redevelopment of those properties; and

WHEREAS, GROWTH hereby acknowledges that use of City funds requires compliance with the Illinois Prevailing Wage Act (820 ILCS 1130) as amended; and

WHEREAS, pursuant to the BRP program, the maximum funding allocation per unit is \$35,000.00, however, GROWTH will receive maintenance (\$3,000 per unit) and administrative expenses (\$1,750 per unit) as fixed amounts to be front funded at closing, making the actual dollars available for eligible activities \$30,250.00 for each unit; and

WHEREAS, the parties agree that any unit costs incurred over and above the maximum allowable funding allocated under the BRP program will be the responsibility of GROWTH, together with any closing costs attributable to the refinancing.

NOW THEREFORE, to secure the above-referenced loans for each unit, GROWTH will, concurrently with this Development Agreement, execute an interest free Note and a Recapture Agreement payable to the City of Rock Island, Illinois, for costs attributed to each unit allocable under the BRP program prior to the refinancing/closing up to a maximum of \$30,250.00. The Note and Recapture Agreement are attached hereto as Exhibits B and C. The Recapture Agreement shall be recorded in the Office of the Recorder of Deeds, Rock Island County, Illinois. Upon each unit refinancing/closing and payment to the City of its loan to GROWTH (within 45 days of GROWTH's receipt of IHDA funds), the City will prepare and provide a Release of said Recapture Agreement for recording by GROWTH.

This Agreement shall be governed and construed in accordance with the laws of the State of Illinois with jurisdiction and venue in Rock Island County.

This Development Agreement embodies the entire agreement between the parties and supersedes any written or oral agreements and may be amended or supplemented only by an instrument in writing executed by the parties hereto.

THE CITY OF ROCK ISLAND, ILLINOIS,
a municipal corporation

ROCK ISLAND ECONOMIC GROWTH
CORPORATION, an Illinois not-for-profit
corporation

BY: _____
Thomas Thomas, City Manager

BY: _____
Brian Hollenback

TABLE KEY – Minimum 10 Unit		BRP Target Area Name			West End		
I. Common Property Address II. Current Title Holder /Owner III. Have you performed and documented pre-demolition inspections? IV. Is this property registered as historic? V. What is the estimated date that the Not-For-Profit Partner will take title to of the property? VI. What is the estimated date that the demolition and greening will be complete? VII. Briefly, what is the interim use plans for the lot if any? What are end use goals for the lot? VIII. What is the cost of the overall acquisition, demolition, greening, and closing costs? (do not include the allowable \$3,000 maintenance and \$1,750 administrative expenses per unit)							
I	II.	III.	IV.	V.	VI.	VII.	VIII.
1006 3rd Avenue	I. Clark	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1106 3rd Avenue	Earline Lambert	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1008 3rd Avenue	Robert Dare	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1017 4th Avenue	Miguel Chicoa	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
324 11th Street	Elijah Roberts	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
415 11th Street	Oviedo	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
417 11th Street	Oviedo	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1210 4th Avenue	Tim Blanchard	Yes	No	12/31/2015	06/30/2016	Urban Mixed Use	\$ 30,250.00
1122 5th Avenue	Artemio Rosales	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1119 6th Avenue	Isias Mejia	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
List below any additional properties proposed for BRP assistance. These properties will NOT be scored in the application. These properties can service as alternate/substitute options if necessary, or additional properties if funding availability permits. This page may be duplicated if additional properties are proposed.							
1121 6th Avenue	Ivian Mejia	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
532 12th Street	Maria Mejia	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
534 12th Street	Robert Dare	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1406 5 1/2 Avenue	Frank Levan	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1422 5 1/2 Avenue	Sammie Ralston	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00

Note: You may duplicate this page for additional properties proposed for one BRP Target Area or for applications proposing multiple BRP Target Areas. Only the first page will impact score for each BRP Target Area.

TABLE KEY – Minimum 10 Unit	BRP Target Area Name	West End
I. Common Property Address II. Current Title Holder /Owner III. Have you performed and documented pre-demolition inspections? IV. Is this property registered as historic? V. What is the estimated date that the Not-For-Profit Partner will take title to of the property? VI. What is the estimated date that the demolition and greening will be complete? VII. Briefly, what is the interim use plans for the lot if any? What are end use goals for the lot? VIII. What is the cost of the overall acquisition, demolition, greening, and closing costs? (do not include the allowable \$3,000 maintenance and \$1,750 administrative expenses per unit)		

I	II.	III.	IV.	V.	VI.	VII.	VIII.
1416 5 1/2 Avenue	James Hanne	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1418 5 1/2 Avenue	James Hanne	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1416 6th Avenue	Harry Stahl	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1413 7th Avenue	Kishanna Butler	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1415 7th Avenue	Kishanna Butler	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
708 17th Street	New Island Ventures, LLC	Yes	No	12/31/2015	06/30/2016	Single Family Home	\$ 30,250.00
1201 7th Avenue	James Shreaves	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1312 7th Avenue	Nicolasa Casco	Yes	No	12/31/2015	06/30/2016	Mixed Residential	\$ 30,250.00
1115 15 1/2 Avenue	Lori West	Yes	No	12/31/2015	06/30/2016	Single Family Home	\$ 30,250.00

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Note: You may duplicate this page for additional properties proposed for one BRP Target Area or for applications proposing multiple BRP Target Areas. Only the first page will impact score for each BRP Target Area.

EXHIBIT B

NOTE

Up to \$30,250.00

March _____, 2016

FOR VALUE RECEIVED, the undersigned, ROCK ISLAND ECONOMIC GROWTH CORPORATOIN, an Illinois not-for-profit corporation, ("GROWTH"), promises to pay to the order of THE CITY OF ROCK ISLAND, ILLINOIS, a municipal corporation, ("City"), the sum of a maximum of THIRTY THOUSAND TWO HUNDRED FIFTY AND NO/100^{THS} DOLLARS (\$30,250.00), payable in a single installment, without interest, upon proof by the City of all eligible costs advanced on behalf of GROWTH by the City for acquisition, demolition, greening and maintenance for the Unit described as _____, under the Blight Reduction Program (BRP) upon the successful refinance closing by GROWTH with the Illinois Housing Development Authority (IHDA), which closing shall take place no later than the BRP Funding Deadline of June 17, 2017.

Non-payment of this note upon the refinancing/closing on the aforesaid Unit, or within 45 days of GROWTH's receipt of IHDA funds, or the aforesaid Funding Deadline of June 17, 2017, shall constitute a default herein. Upon said default, the amount due under the note shall become immediately due and payable. Default interest shall be charged at the rate of five percent (5%) per annum on the unpaid balance.

Payment shall be made payable to The City of Rock Island, Illinois, 1528 Third Avenue, Rock Island, Illinois, 61201, or at such other place as the holder hereof shall from time to time designate.

Upon payment in full, the Recapture Agreement securing said Note shall be released.

ROCK ISLAND ECONOMIC GROWTH
CORPORATION

BY: _____
BRIAN HOLLENBACK

EXHIBIT C

RECAPTURE AGREEMENT

THIS RECAPTURE AGREEMENT (this “Agreement”) is made and entered into this _____ day of _____, 2016, by and between **THE CITY OF ROCK ISLAND, ILLINOIS**, a municipal corporation, 1528 Third Avenue, Rock Island, IL, 61201, (the “City”), and **ROCK ISLAND ECONOMIC GROWTH CORPORATION**, an Illinois not-for-profit corporation, 100 – 19th Street, Suite 109, Rock Island, IL, 61201, (“Developer”).

RECITALS

WHEREAS, Developer is the owner and developer of certain real estate commonly known as **(address)**, Rock Island, IL, 61201, (the “Unit”), legally described in Exhibit A attached hereto and made a part hereof; and

WHEREAS, the City has applied for and received confirmation of an award from the Illinois Housing Development Authority (IHDA) through its Blight Reduction Program (BRP) to specifically target demolition of blighted/vacant residential units for the eventual reuse and redevelopment of those properties; and

WHEREAS, the program required the City to collaborate with a not-for-profit developer to remediate blight through strategic demolitions in the community and the City determined Developer to be an effective partnership; and

WHEREAS, the City previously entered into a Development Agreement with Developer to make loans to Developer for each specific Unit to cover costs for acquisition, demolition, greening and maintenance advanced by the City, which costs are eligible to be reimbursed from IHDA through Developer’s BRP refinancing.

NOW THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt of which is hereby acknowledged by the parties hereto, the parties hereby agree as follows:

1. This Recapture Agreement is given to the City and is evidenced by Developer's Note dated the same date as security for amounts advanced by the City as referenced above.

2. Upon Developer's BRP refinancing closing on the Unit, the City shall be reimbursed for all costs advanced by the City, up to a maximum amount of \$30,250.00.

3. This Recapture Agreement shall be recorded against the Unit with the Rock Island County Recorder of Deeds' Office and the recording fees withheld from the BRP funding.

4. Upon payment of all sums secured by this Recapture Agreement, City shall release the Recapture Agreement without charge to Developer, and the recording fees withheld from the BRP funding.

IN WITNESS WHEREOF, the undersigned have executed this Recapture Agreement as of the date first written above.

CITY:

THE CITY OF ROCK ISLAND, ILLINOIS,
a municipal corporation

By: _____

Name: _____

Its: _____

Attest: _____

Name: _____

Its: _____

STATE OF ILLINOIS)

) ss:

COUNTY OF ROCK ISLAND)

I, the undersigned, a Notary Public, in and for said County and State, aforesaid, DO HEREBY CERTIFY, that DENNIS E. PAULEY, Mayor, and ALEISHA L. PATCHIN, City Clerk, of The City of Rock Island, Illinois, a municipal corporation, personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that they signed, sealed and delivered said instrument, pursuant to authority, as their free and voluntary act, for the uses and purposes therein set forth.

